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Message Text

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E.O. 11652: GDS
TAGS: EAGR, OVIP (ENDERS, THOMAS O.)
SUBJECT: GRAIN RESERVES AND THE EC.
FOR ENDERS FROM KATZ
1. OUR ASSESSMENT OF EC VIEWS ON GRAINS, REPORTED BRUSSELS 1862, IS THAT EC HAS REVERTED TO POSITION DATING FROM LAST FALL'S WFC PREPARATIONS OUT OF CONCERN THAT US MIGHT SUCCEED IN EMPLOYING SALAMI TACTIC IN IWC THAT WOULD COMMIT EC TO SOME SORT OF RESERVES SCHEME WITHOUT ASSURANCE IT SEEKS ON FLOOR PRICE UNDERWRITING ITS CAP.

2. MALVE'S COMMENTS EMPHASIZE DISCUSSING GRAINS IN MTN--WHICH MEANS IN AGRICULTURE COMMITTEE. SUCH DISCUSSION WOULD TEND TO UNDERMINE PRESENT MTN COMPROMISE PRESERVING ROLE FOR FUNCTIONAL COMMITTEES IN NEGOTIATING AGRICULTURAL NTBS. THIS MAY BE PART OF EC'S TACTIC, BUT WE THINK THAT MAIN CONCERN REMAINS ASSURANCE ON PRICE. IN ANY CASE, USDA IS ADAMANTLY OPPOSED TO ANY COMMODITY NEGOTIATIONS TAKING PLACE IN MTN AGRICULTURE COMMITTEE. LIKE EC, USDA SEES STERILE DISCUSSION AND MAINTENANCE OF STATUS QUO AS ALTER-NATIVE TO ANY AGREEMENT ON GRAINS WHICH DOES NOT SATISFY ITS CONCERNS. WE THEREFORE ARE CURRENTLY ON ROAD TO NO-WHERE.

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3. TO AVOID IMMEDIATE IMPASS THAT WOULD FOREDOOM RESERVES

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NEGOTIATIONS, I SUGGEST YOUR MARCH 8 TALKS WITH EC FOCUS ON GETTING IWC WORKING GROUP STARTED ON SCHEDULE WEEK OF

MARCH 16 AS PURELY TECHNICAL COMMITTEE TO DO ANALYTICAL WORK NECESSARY TO ANY NEW ARRANGEMENTS FOR GRAINS. WHILE IWC WORK PROCEEDS, WE NEED TO HAVE BILATERAL TALKS WITH EC, STARTING FROM POINT REACHED BY LARDINOIS AND BUTZ LAST NOVEMBER, THAT WOULD DEAL FRANKLY WITH PRICE ISSUE TO DETERMINE IF THERE IS COMMON GROUND ON WHICH RESERVES AGREEMENT COULD BE BUILT.

4. I HAVE NOT YET SURFACED THIS LINE WITH USDA, BUT I BELIEVE THEY CAN BE BROUGHT ALONG. IN NOVEMBER DISCUSSIONS, LARDINOIS AND BUTZ BEGAN TO TALK ABOUT CORE PROBLEM OF PRICES IN TERMS OF VERY WIDE PRICE BANDS. THIS MAY NOT BE RIGHT FORMULATION, BUT PRICE ISSUE BETWEEN US AND EC IS ROOT PROBLEM, SOLUTION TO WHICH WOULD MAKE RESERVES SCHEME ATTAINABLE. WE NEED TO AIM, THEREFORE, FOR HIGH-LEVEL BILATERAL DISCUSSIONS THAT DIRECTLY ADDRESS THIS ISSUE.

5. WE ARE CLEARING WITH USDA TALKING PAPER FOR YOU TO USE WITH EC.

6. AT SAME TIME, WE ARE PROCEEDING WITH PLANNED DISCUSSION OF ANOTHER RESERVES PAPER IN IFRG WORKING GROUP. WE WILL PUSH THIS AS FAST AS WE CAN BUT DOUBT WE WILL BE READY TO CIRCULATE TO OTHER AGENCIES A NEW PAPER ON RESERVES IN ADVANCE OF IFRG WORKING GROUP EARLY NEXT WEEK PLANNED TO DISCUSS FOOD AID, CGFPI AS WELL AS RESERVES. INGERSOLL

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